

Message Text

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PAGE 01 LISBON 02002 141617Z
ACTION EUR-12

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O 141435Z MAR 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 0533

S E C R E T LISBON 2002

DEPT PASS TREASURY FOR SYVRUD

DEPT PASS ROWELL, EUR/WE

E.O. 11652: XGDS
TAGS: EFIN, ECON, PO
SUBJECT: PORTUGAL'S 1977 BALANCE OF PAYMENTS -
PRELIMINARY ESTIMATE

1. FOLLOWING IS EMBASSY'S PRELIMINARY PROJECTION FOR PORTUGAL'S 1977 BALANCE OF PAYMENTS. AMONG BASIC ASSUMPTIONS UNDERLYING PROJECTION ARE: 4 PERCENT INCREASE IN PORTUGAL'S GNP; 6 PERCENT INCREASE IN WORLD PRICES; 5 PERCENT GROWTH IN GNP OF PORTUGAL'S MAJOR TRADING PARTNERS; CONTINUATION OF EXISTING SURCHARGE TAXES AND PRIOR DEPOSIT REQUIREMENTS; LESS THAN FULLY EFFECTIVE QUOTAS ON IMPORTS; RELATIVELY EASY MONETARY POLICIES DURING MOST OF 1977; CONTINUED PRESSURE ON PORTUGUESE IMPORTERS TO OBTAIN FOREIGN FINANCING, TAKING INTO ACCOUNT PORTUGAL'S HEAVY USE OF SHORT-TERM CREDITS IN 1976. THE CAPITAL ACCOUNT ASSUMES ALSO THAT U.S. ESF LOAN WILL BE REPAID DURING 1977 FROM IMF DRAWINGS AND GOLD SALES, THAT CAPITAL FLIGHT WILL CONTINUE, AND THAT BANK OF PORTUGAL WILL ROLL OVER THE CENTRAL BANK LOANS MATURING THIS YEAR. IF THIS LAST ASSUMPTION PROVES WRONG, EMBASSY BELIEVES LOANS WILL BE REPAID FROM GOLD HOLDINGS. SUCH GOLD REPAYMENTS WOULD THEN BE ADDED TO

SECRET

SECRET

PAGE 02 LISBON 02002 141617Z

PROJECTED PLANNED GOLD SALES.
2. PORTUGAL'S BALANCE OF PAYMENTS
(MILLIONS OF DOLLARS)

PROJECTED 1977

I. CURRENT ACCOUNT -1256

A. MERCHANDISE	-1,950	
1. EXPORTS (F.O.B.)	2,050	
2. IMPORTS (F.O.B.)	-4,000	
B. INVISIBLES (NET)	694	
1. TOURISM	250	
2. TRANSPORTATION	- 180	
3. INSURANCE	- 6	
4. INVESTMENT INCOME	- 170	
5. TRANSFERS	980	
6. INTEREST ON FOREIGN DEBT	- 110	
7. OTHERS	- 70	
II. CAPITAL ACCOUNT	-1,025	
A. SHORT TERM (NET)	200	
B. MEDIUM AND LONG TERM	-1,225	
1. DEBT AMORTIZATIONS (NET)	-1,500	
2. FOREIGN INVESTMENTS (NET)	- 70	
3. MEDIUM AND LONG TERM CREDITS	345	
A. WORLD BANK	(20)	
B. EFTA	(15)	
C. EUROPEAN COMMUNITY	(35)	
D. OTHER MULTILATERAL	(10)	
E. U.S. - PL480	(50)	
F. U.S. - CCC	(100)	
G. U.S. - AID	(35)	
H. OTHER BILATERAL AID	(30)	
I. SUPPLIER CREDITS	(50)	

SECRET

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PAGE 03 LISBON 02002 141617Z

III. POTENTIAL DEFICIT	-2,281	
IV. COMPENSATORY MOVEMENTS	1,422	
A. LOANS BANK OF PORTUGAL		
SEEKING ROLL-OVER	1,065	
1. SWISS CENTRAL BANK	50	
2. PORTION OF 1976 EUROPEAN		
CENTRAL BANK LOAN OF \$250		
MILLION DRAWN IN 1976	165	
3. BIS	500	
4. GERMAN CENTRAL BANK	250	
5. BIS NINE MONTH LOAN OF		
FEBRUARY 1977	100	
B. IMF CREDITS	132	
1. C.F.F.	35	
2. STANDBY AGREEMENT FOR TWO TRANCHES	97	
C. PENDING EUROPEAN CENTRAL		
BANK LOAN	40	

D. REMAINDER OF 1976 EUROPEAN CENTRAL	
BANK LOAN OF \$250 MILLION	85
E. PLANNED GOLD SALES	100
V. REMAINING DEFICIT GAP	
CARLUCCI	859

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Message Attributes

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